

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7934

BILL NUMBER: SB 452

NOTE PREPARED: May 3, 2005

BILL AMENDED: Mar 24, 2005

SUBJECT: Self-Liquidating Projects at Port Commission.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR: Rep. Borror

BILL STATUS: Enrolled

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) *Self-Liquidating Port Commission Projects:* This bill expands the definition of self-liquidating project for purposes of the Port Commission statute to include projects: (1) for which payments under leases from sources other than rentals are available for debt service and maintenance expenses; or (2) that are structured in such a manner that there is no recourse against the state or the Port Commission. (Under current law, self-liquidating projects are exempt from certain provisions concerning interest rates on bonds, bond sale procedures, and contracting procedures.) It specifies that revenue bonds issued by the Port Commission are not a debt of the Commission and are payable solely from funds pledged for their payment. The bill makes conforming changes.

Bonds for State Research Grants and Loans: The bill indicates that money from the Twenty-First Century Research and Technology Fund may be used to provide grants and loans for research and technology transfer facilities. The bill also authorizes the Development Finance Authority to issue \$1,000,000,000 in bonds to provide funding for the Twenty-First Century Research and Technology Fund.

Effective Date: July 1, 2005.

Explanation of State Expenditures: (Revised) *Self-Liquidating Port Commission Projects:* The bill will facilitate the payoff of bonds issued. It eliminates the restriction that the final payment be a rental payment from a lessee. A secured creditor or an insurance carrier now will be able to pay off the bonds. The insurance that would be used is called "residual value insurance .

The bill clarifies that the Port Commission is to determine the sufficiency of the payment amount for all leases. In addition, the Commission makes the determination for a project that there is no recourse against the state

or the Port Commission and that a bond issue does not represent a debt for the state, the Port Commission, or a political subdivision.

Bonds for State Research Grants and Loans: The bill authorizes the Indiana Development Finance Authority (IDFA) to issue bonds without approval of any state agency, the proceeds of which are to be deposited in the Indiana 21st Century Research and Technology Fund. The bond proceeds would be used by the 21st Century Research and Technology Fund Board to make grants and loans for research and technology purposes as specified under current statute. The bill adds a provision stating that the purposes of grants and loans by the Board includes projects to construct and equip research facilities. Under the bill, the IDFA is authorized to issue bonds beginning in FY 2006 but not after the end of FY 2011. However, the bill prohibits the making of debt service payments on bond issues prior to FY 2008. The bill limits the total amount of outstanding bonds issued by the IDFA for the 21st Century Research and Technology Fund to \$1,000 M; and limits annual issuance to \$200 M. The bill provides that the bonds are to be paid solely from money pledged or available for bond payment. The bill also specifies that the bonds are not a debt, liability, loan of the credit, or pledge of the faith and credit of the state or of any political subdivision.

The bill does not make an annual appropriation to pay the debt service on these bonds. However, it provides for all of the following:

- (1) Authorizes the IDFA to establish reserve funds for each issue of bonds in which any appropriations by the General Assembly for debt service are to be deposited.
- (2) Authorizes the General Assembly to make annual or biannual appropriations to the IDFA for deposit in the reserve funds in an amount, as certified by the Chairman of the IDFA, that is sufficient to pay the debt service on the bonds or to restore the reserve funds to the required debt service reserve levels.
- (3) Requires the Chairman of the IDFA to annually certify to the General Assembly the amount required to pay debt service on the bonds or restore the reserve funds to the required debt service reserve levels.

If the IDFA issues bonds pursuant to this bill, the bond issuance authorization in the bill along with the provisions described in (1) to (3) above, creates a moral obligation for the state to pay debt service on the bonds, if the revenue stream pledged to the payment of the bonds is ultimately insufficient to pay the debt service. Assuming a 4% interest rate and a payback period of 20 years, annual debt service payments on a \$200 M bond issue would total about \$14.7 M annually, with annual debt service on \$1,000 M bond issue totaling \$73.6 M annually.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Port Commission; Indiana Development Finance Authority; Indiana 21st Century Research and Technology Fund Board; State Budget Agency.

Local Agencies Affected:

Information Sources: William Niemier, Chief Counsel for the Port Commission, 317-232-9204.

Fiscal Analyst: James Sperlik, 317-232-9866; Jim Landers, 317-232-9869.